Making A Profit in a Non-Profit World

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Introduction

- Bob Littke, President and CEO
- Senior Services
  - Our Mission
  - Our History
  - Our Model of Service Delivery
  - One Stop Shopping
  - Fee for Service Component

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Serving the Private Pay Market
Can I really make a Profit?

- Can a Not-For-Profit organization make a profit (surplus)?
- What does the I.R.S. allow?
- What is Un-related Business Income (UBI)?

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What about my Non-Profit status?
I.R.S. Considerations

- Your agency By-Laws
- Your Articles of Incorporation
- Your Mission Statement
  - How broad is the scope of your mission?
  - Who do you serve?
  - Is there any reference to the income of your clients?
- Can I generate UBI and not jeopardize my Non-Profit status?

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Overview
It's Time for Change!

- *"If we don't change course, we're going to to end up where we're headed."*

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Determining your Market

- Your Clients
  - Those of ALL income levels with needs
- Your "Niche"
  - What do you do that is different, unique, desirable?
- Your Stakeholders (and those of your clients)
  - Determining who Stakeholders are

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Obstacles - Fears

- "Non-Profit organizations should not make money (profits)"
- "Traditional funders will not approve"
- "For-Profit businesses will raise issue of **unfair competition**"
- "My Board will **NEVER** approve!"
- "Staff and the community will not understand"
- "How can we charge some people for services and **give them away** to others?"

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The Older Americas Act

- Can the Aging Network implement private pay services?

  (Source AoA website – Frequently Asked Questions)

- "Private pay services can create opportunities to reach a segment of the population not traditionally served by the network, however; such activities are optional for States, Area Agencies and service providers."

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Older Americans Act (Continued)

- "In general, private payment for services occurs when individuals pay the full cost of the services they receive. Because there is no public funding involved, private pay services are not subject to the 'cost sharing' provisions under the Older Americans Act (OAA, Sec. 315(a))".
  (Source AoA website – Frequently Asked Questions)

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Other Obstacles

- The Social Worker issue
  - "I can't charge for that, I help people!"
- The Entitlement concept
  - "I pay my taxes, it should be free!"
  - Educating your clients and stakeholders of the **value** of your product or service
- Drawing the line
  - How do we determine who gets services without charge vs. Private Pay Clients?

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Drawing the line

Between "Donation Only" and "Fee for Service " Clients

- **Donation Only Clients**
  - Donation schedule is used
  - Limited availability. Clients prioritized by need
  - When funding is exhausted, clients are put on waiting-list
- **Private Pay Clients**
  - Client or other stakeholders pays full cost of service
  - Unlimited services available

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Every line has two sides

- **All** clients are offered services on a "Donation Only" basis
- **All** clients have Private Pay option explained
  - Other stakeholders can be involved
- **All** clients are informed about limited (donation only) services
- Other Stakeholders often want to help pay for additional services

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Questions?

Press *1 to ask a question or type your question into Gotomeeting chat

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Overcoming the Obstacles
Step #1 – Benefits to our CLIENTS

- **First,** identify how **all** clients will benefit from serving Private Pay clients
  - **All** clients have needs, including those with an ability to pay for their services!
  - You are turning away clients when you tell those with the ability to pay to go somewhere else to get the service they need
  - Profit (surplus) generated by serving Private-Pay clients can be directed **to serve more low income clients**

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Overcoming the Obstacles
Step #2 – Benefits to your AGENCY

- **Second,** identify how **<u>your agency</u>** will benefit by serving Private Pay clients
  - With more discretionary money your agency will:
    - Be less dependent on traditional funds/grants
    - Have more "unrestricted" funds
    - Be more financially stable and able to "ride-out" slumps in funding
    - Applauded by traditional funders
    - Have funds necessary to grow!

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Overcoming the Obstacles
Step #3 – Benefits to your STAFF!

- **Third,** identify how your staff will benefit by serving Private Pay clients:
  - With more discretionary money, your staff will:
    - See they are serving **more** clients (reduced frustration)
    - Benefit from **better pay**, benefits, etc. (reduces burn out and turn over)
    - Take pride in working for a leader, not a struggling, unstable organization

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What is the real Value?

- What is the VALUE of what you offer?
- “Great Value” or “Free Hand-out”
- Free Ink-Pen
  - Bic or Mont blanc
- Just because it’s low-cost does mean it’s low value. Both accomplish the same thing
- Both have ***real* value**

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What is the true cost?

- “Most providers cannot tell you the actual cost of a meal”
- This leads to inaccurate budgeting
- How can you identify a “surplus” if the actual cost is unclear?
- Understanding what “Profit” or “Surplus” is:

  “The positive gain from an investment or business operation after subtracting for all expenses”

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What about your *Free* Services?

- Do you ever refer to “**Free Services**”?
- It is unlikely that the service is **free**.
  “Someone is paying for the service”
- *Definition - Merriam-Webster Dictionary*
  - ***Free:*** “Not costing or charging anything”
  - “Without cost or obligation”

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The details in a Business Plan

- A business plan:
  - Sets a course, builds a bridge
    - Shows “How you are going to get from here to there”
  - Answers your critics questions
  - Alleviates fears
  - Educates
    - Your Community
    - Your Staff
    - Your Clients and Stakeholders
    - Your Funders
  - Answers the tough questions
  - Shows data to support the success of the plan

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Components of a Business Plan

Executive Summary	Company Summary	Services Description
Market Analysis	Strategy and Implementation Plan	Management Summary
	Financial Plan	

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Your business plan should include:

- An Executive Summary
  - Including the objectives of the plan, the mission of the organization and, important keys to success
- A Company Summary
  - Including your company history and ownership information
- A Service(s) Description
  - Including a competitive comparison and your proposed sales literature

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Your business plan should include:

- A Market Analysis
  - Including other industry participants, competition, buying patterns and main competitors
- A Strategy and Implementation Summary
  - Including your sales strategy and measurable milestones
- A Management Summary
  - That clearly examines your organization's management capacity and gaps

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And your business plan **must** include:

- Complete Financial Plan including:
  - Pro-Forma data
  - Key financial indicators
  - Important assumptions
  - A break-even analysis
  - Projected surplus and deficit
  - Projected cash flow
  - Projected balance sheet

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Finally – Some of our Proven Examples

- The ASSIST Program
- Regional Food Service Facility
  - "Food for All"
  - Non-Profit Catering
  - Red Cross Emergency Food Facility
- Eldercare Services
- Caregiver Support Services
- You are an EXPERT in providing Information and Assistance

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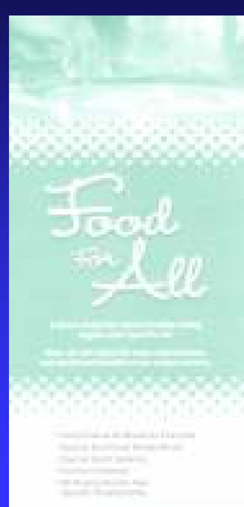
Food For All



- Home Delivered Meals
- Available to anyone
- No age restriction
- Offers Special Diets
- Popular with caregivers

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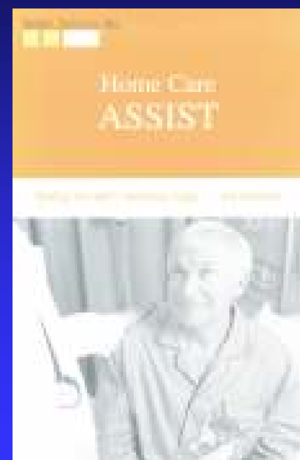
The ASSIST Program

- A marketing "Brand"
- Makes all services available to those who desire private pay option
- Popular with caregivers



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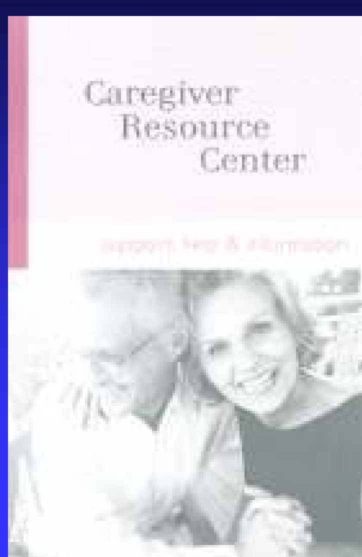
Caregiver Resource Center



- Information and Assistance
- Support for the caregiver
- Marketed to employers as employee benefit (Eldercare)

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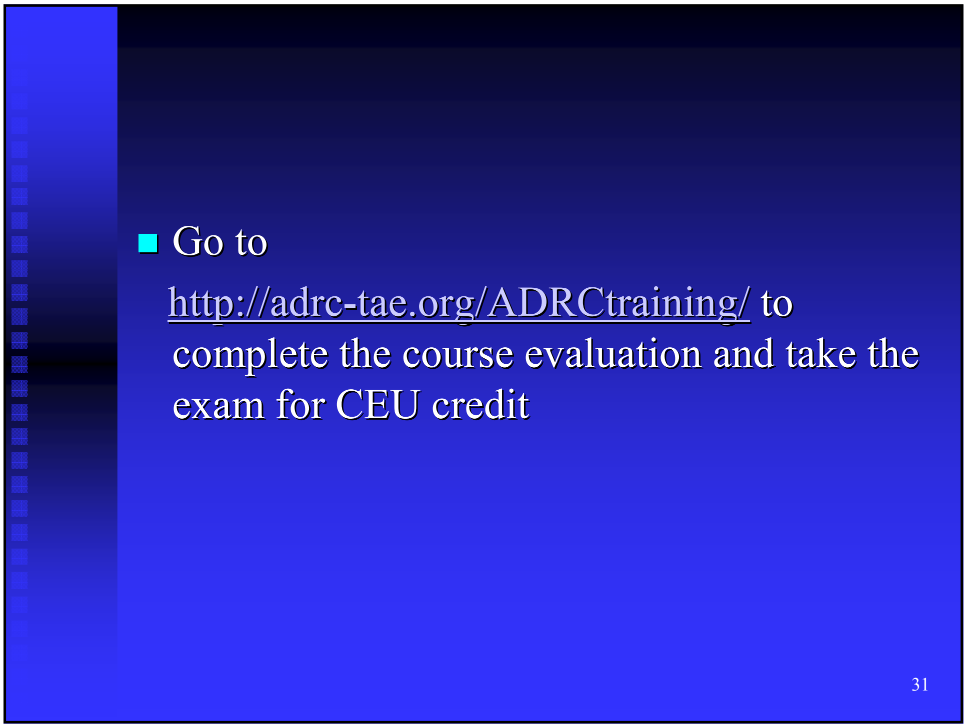
Go to
http://adrc-tae.org/ADRCtraining/ to complete the course evaluation and take the exam for CEU credit
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